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At BJC/SET 2563-016

16 November 2020

Subject: Explanation of 3Q2020 Operating Results

To: President

The Stock Exchange of Thailand

BJC Heavy Industries Public Company Limited (hereinafter referred to as “the company”) would like to clarify the changes in 3Q2020 Operating Results as compared with those in 3Q2019 as follows.

3Q2020 Business Overview

During the 3Q2020, the global economic conditions has also been pressured by the COVID-19 pandemic although the easing of lockdown restriction in many countries and the result of massive economic stimulus packages launched by many governments and central banks to relieve such impact.

Among the spreading of COVID-19 disease, the company successfully delivered Linde project (Phase 2) to the client on-time, proving that BJCHI has the outstanding capabilities to execute a large-scale project to our client. we strongly believe there should be potential opportunities to work with the client again in the future.

In the end of 3Q2020, the Company’s backlog was over 3,200 million baht, spreading throughout various industries such as Oil and Gas, Mining and Power plant.

Even the effect on the global pandemic, we continue receiving new bids from many clients in several industries such as gas, petrochemical, power plant or even oil related projects from both existing and prospect clients. Additionally, some clients are still looking for a long-term supplier who has the capability to execute projects for them for 3-5 years. For that reason, BJCHI is now considered as the potential supplier to do such long-term projects.



As a result of that, this situation is indicating that there would be more project opportunities for BJCHI at the present even the period of uncertainties.

Revenue

Contracted Revenue

In 3Q2020, Contracted Revenue (excluding other revenue) was 417.6 million baht. Contracted Revenue slightly increased by 1.7%, comparing with that of the same period of last year at 410.7 million baht due mainly to the progress of Koodaideri project activities which shall be also ramped-up more in the next quarter.

Other Revenue

In 3Q2020, other revenue (excluding FX gain) was 8.1 million baht, as compared to that in 3Q2019 at 11.1 million baht due to the decrease in interest income.

Expenses

Contracted Costs

Contracted Costs in 3Q2020 was 532.8 million baht, representing by 127.6% of Contracted as compared to that in 3Q2019 at 86.5% of Contracted Revenue. The increased Contracted Cost to revenue in this quarter was due mainly to the rising cost from suspended project, additional investment expense to accommodate the future projects. However, the Company is under the negotiation to request the compensation from the client to cover the incurred cost.

Selling, General and Administrative expenses (SG&A)

Selling, General and Administrative expenses (SG&A) in 3Q2020 was 38.8 million baht, comparing with that in 3Q2019 at 46.4 million baht due mainly to the ongoing effort in efficient cost control.

Severance Pay

Severance Pay in 3Q2020 increased to 20.7 million baht comparing with that in 3Q2019 at 0.07 million baht due to the termination of an employment after the suspended project activities.

Foreign Exchange (FX) Impact

In 3Q2020, the company recognized FX gain by 48.0 million baht, as compared with 3Q2019 FX loss at 12.8 million baht due to the ongoing depreciation of THB against US dollar in 3Q2020.

Gross Profit and Net Profit

In 3Q2020, Gross Profit was negatively 115.2 million baht, equivalent to -27.6% in Gross Profit Margin as compared to Gross Profit at 55.3 million baht, equivalent to 13.5% in 3Q2019. The drop in Gross Profit Margin resulted from the rising cost due to the suspended project and additional investment expense to accommodate the future projects.

Net Profit in 3Q2020 was negatively 119.1 million baht as compared with the positive figure in 3Q2019 at 6.3 million baht. The Net Profit Margin decreased from 1.5% in 3Q2019 to negatively 25.1% in 3Q2020, as a result of reasons discussed above.

As previously explained, the compensation as requested by the Company to the client shall be able to cover incurred costs. Thus, Gross Profit Margin and Net Profit are expected to recover in the near future.

Please be informed accordingly,

Best regards,
BJC Heavy Industries Public Company Limited

- Mr. Seung Woo Lee -

(Mr. Seung Woo Lee)
Director/Deputy Managing Director